RE: Applications of XM Satellite Radio Holdings Inc., and Sirius Satellite Radio Inc., For Authority to Merge.

MB Docket No. 07-57

COMMENTS OF CHARLES CHAPMAN, AN XM SUBSCRIBER

I respectfully submit my comments to the above-referenced proceeding. I believe that a merger between XM Satellite Radio Holdings, Inc. ("XM") and Sirius Satellite Radio ("Sirius") will result in a firm with the ability to raise prices and/or cut costs by limiting the number and variety of offerings and earn monopolistic returns for sustained periods with fear of customer backlash. Therefore, as a current XM subscriber, I believe the merger is not in the best interests of a rural resident such as myself, and is contrary to the public interest as a whole.

The two firms advocate that a merger would result in (paraphrasing) "more choices at less cost for the consumer." However, other than a promise to freeze the costs of current subscriptions for some period of time, neither firm has revealed much on how they intend to deliver.

More content? From a technological standpoint, the two SDARS systems are incompatible – a subscriber will not wake up one day to find a combined 300 channels (170 XM and 130 Sirius) of content on current satellite radio receivers, and both firms have foot dragged on a rule requiring an interoperable receiver. The bandwidth of both systems is currently maxed out and the only way either firm can add new content is to delete current offerings, typically a 1 for 1 swap. Therefore in order for an XM receiver to receive Sirius content, some current XM offerings will have to be dropped. A consumer may receive *different* choices post-merger, but certainly not *more* choices. It would appear the satellite radio consumer will probably lose some of the content they enjoy now. How will a subscriber gain more choice on a system incapable of delivering more choice? They will not.

Less cost? Mel Karmazin advocates that the XM/Sirius merger is not a merger to monopoly because both firms are small players in a larger market. Satellite radio supposedly competes with terrestrial radio, HD radio, compact discs, iPods, Internet radio, 3G cellular delivery, etc. While there is some content substitutability among these services, terrestrial radio cannot provide the commercial-free music content of satellite radio, and CDs, iPods, Slacker, and the like cannot provide live content such as breaking news, weather, or emergency alerts. In order to meet monopolistic pricing resistance tests, it must be demonstrated that the merged firm cannot sustain raised prices for a defined period without its customers switching to alternative services. In 2005, XM raised prices by 30 percent and continued its trend of one million gross subscriber *additions* per quarter. Clearly satellite radio subscribers value the service provided and would not easily be persuaded to switch to another content delivery system. It follows that the merged firm would be able to raise prices at will without much fear of increased subscriber churn.

Personally, as a rural resident I have come to value the content provided by XM satellite radio – content I feel I cannot get from other sources. I believe the two services should compete for my business. If XM cannot provide an expected level of service, I have the option to switch to its competitor, Sirius. A merged company will have no such incentive to perform at competitive rates.

For the reasons outlined above I believe the proposed merger between Sirius and XM is contrary to the public interest and ask the FCC to deny it.

Respectfully submitted,

Charles Chapman
XM Subscriber

Dated: July 9, 2007